

Daily Market Outlook

USD: Still Supported

- **USD – Still Supported:** *AI jitters have exposed two-way USD risks but not broken the broader support. Resilient US growth, a tightening Fed bias and elevated oil prices favour the dollar, while renewed French fiscal stress adds pressure on the EUR.*
- **EUR – Resilience Tested:** *Europe's growth resilience is encouraging, but energy and French fiscal risks are building. A thinner gas buffer and higher sovereign risk premia leave the balance of risks for the EUR tilted to the downside.*
- **Continued PBoC guidance** supports our measured appreciation bias. *Stronger fixings remain key, with CNY and CNH potentially appreciating in a more aligned manner.*
- **TWD pressured** amid foreign selling and FX outflows. *Stronger CBC signaling and a rebound in US tech may offer some near-term relief but any sustained turnaround in TWD likely requires foreign outflows to ease.*
- **PHP remains vulnerable** to further weakness as deteriorating external balances reinforce currency-specific pressures. *BSP tightening may temper depreciation, but a sustained recovery requires improvement in oil prices and external flows.*

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USD -- Still Supported: It is a quieter US data week, with the Fed in blackout ahead of the 28 October FOMC. But markets still have plenty to digest. AI equities rebounded after last week's financing-driven sell-off, with attention now turning to major tech earnings. We see the recent jitters as a bump, not a break, in the AI investment cycle. As long as US AI capex remains resilient and supports growth, yields and asset returns, AI should remain a net tailwind for the USD.

Still, last week was a reminder that AI is now a two-way USD story. The boom supports the dollar when it lifts US growth and returns, but that relationship can reverse when financing concerns hit equities and yields. AI remains USD-positive on balance, but it is no longer a one-way trade. US rates should remain supportive of the USD. Treasury yields recovered as risk-off pressures eased, while elevated oil prices and firm inflation keep the Fed biased towards further tightening. We expect the Fed to pause in October before one final hike in December.

Energy remains a key upside risk. Brent has traded around USD110/bbl amid renewed tensions around the Strait of Hormuz. Sustained oil strength would reinforce inflation risks, put upward pressure on yields and strengthen the case for the Fed to stay hawkish.

Europe faces a different problem. Political and fiscal concerns in France are adding pressure on sovereign bonds against an already subdued growth backdrop. This week's euro-area PMIs will be important. Further signs that energy and fiscal stress are weighing on growth would reinforce the relative US growth and rates advantage over the euro area, keeping the balance of risks tilted towards a firmer USD.

EUR – Resilience Tested: European growth has held up better than expected, with the ECB upgrading its 2026 and 2027 growth forecasts. But the question is whether that resilience can withstand another energy squeeze. Europe enters winter with a thinner gas buffer. EU storage is just under 75% full, leaving the region more exposed to LNG availability and winter weather. As a major energy importer, another sustained rise in gas prices would squeeze household purchasing power, corporate margins and Europe's terms of trade.

France adds another risk. Higher US yields can support the USD when driven by stronger growth and carry. Higher French yields are less EUR-positive when they reflect fiscal and political risk. Those concerns have been reinforced by the latest nationwide unrest. Attention now turns to Moody's review on Friday. France is rated Aa3 with a negative outlook, one notch above the equivalent ratings from S&P and Fitch. A downgrade would put greater focus on France's fiscal challenges and sovereign risk premium. Net net, Europe's resilience is being tested. Energy vulnerability and French fiscal risks leave the EUR skewed to the downside.

USDCNH. Testing multi-year lows. RMB extended its gains to trade near its strongest level since July 2022. The resilience of economic activity, alongside strong exports, reduces the immediate need for further monetary easing. However, domestic demand and the property sector remain sluggish, leaving room for targeted policy support. Separately, PBoC Governor Pan Gongsheng reiterated China's opposition to competitive currency depreciation and announced plans to allow selected offshore RMB clearing banks to participate directly in the onshore FX market. He also indicated that the PBoC is considering a shift from the 7-day to the overnight reverse repo rate as its main policy rate, reflecting ongoing efforts to refine its monetary policy framework.

Meanwhile, the CNY-CNH differential has narrowed considerably as onshore CNY caught up with CNH. While some may interpret the “loss” of offshore appreciation momentum as a sign of growing scepticism, historical observations suggest that such convergence is not unusual. We remain constructive on RMB and expect appreciation to be measured. The direction of the daily PBoC fixing remains a more important gauge of policymakers’ intentions. If the strengthening trend persists, both CNY and CNH could continue appreciating in a more aligned manner.

USDCNH last at 6.6830 levels. Daily momentum is mild bearish while RSI slipped closer to oversold conditions. Sustained price action below 6.69 should continue to see bearish pressure re-exert. Next support at 6.67 levels. Resistance at 6.69, 6.7020 (21 DMA).

USDTWD. Double-top? TWD extended its decline as foreign selling of Taiwan equities continued. CBC said foreign investors sold USD19.4bn of Taiwan equities and recorded net FX outflows of nearly USD18bn over 12–16 October, during which TWD weakened 1.37%. Yesterday, CBC also stepped up its signalling, saying it would adjust as appropriate to maintain FX stability, while local reports pointed to late-session smoothing. We are looking for signs that TWD depreciation pressure will moderate, as officials may be on heightened alert, while the rebound in US tech overnight may offer some near-term relief. That said, any sustained turnaround in TWD will likely require foreign selling and FX outflows to ease.

USDTWD last closed at 32.49 levels. Bullish momentum on daily chart intact while RSI enters overbought conditions. Price action shows a potential double-top but pending confirmation. We keep a lookout for signs of technical turnaround. Support at 32.25 (23.6% fibo), 32.05 levels (38.2% fibo retracement of 2026 low to high). Resistance at 32.57 (recent high), 32.60 levels.

USDPHP. 2-way trades interim. PHP continued to trade under pressure on Monday, despite some easing in oil prices. The latest external sector data reinforced our cautious view on PHP. The overall balance of payments deficit widened to USD3.1bn in September from USD596mn in August, bringing the cumulative deficit for the first 9 months to USD9.1bn, already close to the BSP’s full-year projection of USD9.2bn. Gross international reserves also declined to USD99.5bn at end-September, although valuation adjustments and government foreign currency withdrawals partly contributed to the decline.

The deterioration in external balances, alongside softer investment inflows and elevated oil prices, suggests that PHP may lag peers even if

broader USD strength moderates. Attention turns to the BSP meeting on Thursday, where further tightening could help temper depreciation pressures. However, the combination of slowing growth and elevated inflation complicates the policy response. We retain a cautious bias on PHP, with risks still skewed towards further weakness. A sustained recovery would likely require a more meaningful improvement in oil prices and external financing conditions.

USDPHP last closed at 63.08 levels. Daily momentum is mild bullish while RSI is near overbought conditions. 2-way trades near recent highs not ruled out. Immediate resistance at 63.21 (recent high). Support at 62.76 (21 DMA), 62.60 (23.6% fibo retracement of Aug low to Oct high).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1314	159.95	1.3401	0.8329	0.7059	0.5718	1.4266	4263	1.2846	63.35	95.31
Resistance 2	1.1262	159.10	1.3358	0.8293	0.7017	0.5690	1.4188	4210	1.2820	63.21	95.09
Resistance 1	1.1238	158.80	1.3332	0.8281	0.6998	0.5676	1.4150	4175	1.2807	63.15	95.01
Spot	1.1213	158.52	1.3306	0.8269	0.6980	0.5663	1.4108	4137	1.2799	63.08	94.93
Support 1	1.1186	157.95	1.3289	0.8245	0.6956	0.5648	1.4072	4122	1.2781	63.01	94.80
Support 2	1.1158	157.40	1.3272	0.8221	0.6933	0.5634	1.4032	4102	1.2768	62.95	94.67
Support 3	1.1106	156.55	1.3229	0.8185	0.6891	0.5606	1.3954	4049	1.2742	62.82	94.46
Bollinger Band											
Bollinger Upper	1.1410	158.93	1.3318	0.8370	0.7035	0.5685	1.4307	4276	1.2834	63.08	97.00
Bollinger Lower	1.1108	157.18	1.3175	0.8237	0.6916	0.5575	1.4087	4066	1.2759	62.43	94.72

Source: Bloomberg, OCBC Group Research. Potential resistance and support levels are identified based on pivot points

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